



FmHA AN No. 2917 (1924-B)

November 17, 1993

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance on the development of realistic long range planning with reference to projected agricultural commodity prices and related expenses. These prices and costs will be utilized for the determination of farm budget feasibility when evaluating for loan deferral. This information will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G.

In addition, these projections will be used for the development of 5-year business plans. These business plans will be required when evaluating for special beginning farmer operating loan assistance. Also, 5-year business plans are an essential supervisory tool when evaluating strategic plans and goals.

In order to provide a sound basis for long term projects and requests for assistance, a realistic long range farm plan is necessary.

COMPARISON WITH PREVIOUS AN

This AN replaces AN No. 2674 (1924), dated October 28, 1992. The updates in this AN provides necessary information for development of farm budgets for the 1995 - 2000 crop years.

EXPIRATION DATE:
November 30, 1994

FILING INSTRUCTIONS:
Preceding FmHA Instruction 1924-B



IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.57(d)(1), states that planned farm budgets with reference to income and related expenses, must be supported by the borrower's proven historical records.

Exhibit A of this AN provides a table of USDA projections for the percentage change of prices for various major commodities as well as related farm expenses. For those commodities and expenses not shown on this attachment, such as aquacultural products, guava, lamb or rabbits, local buyers, processors, Agricultural Extension Service or similar sources should be contacted to obtain the best estimates available for these items.

EXAMPLE: Soybeans

Projected Local avg. cash price for 1994	x	year % change = price adjustment
\$6.28/bu.	x	5.41% (1998) = +\$0.34/bu

Price	+	1994 Projected avg.	=	1998 Projected
Adjustment		Cash price		Price
+\$0.34	+	\$6.28/bu.	=	\$6.62/bu.

FmHA Instruction 1924-B, Section 1924.57(d)(2), states that each State Director will establish the average unit price for each agricultural commodity produced on a Statewide basis. State Directors also may elect to establish regional unit prices for different regions of the state when there are factors (transportation costs) to establish a regional pattern. Exhibit B of this AN, provides a national average for major agricultural commodities with which States may use as a guideline to compare their developed commodity prices. These national averages are in no way issued to replace State developed prices.

State Directors, when developing unit prices, can utilize available data from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1993 and/or contracts with verified markets, will be able to utilize that higher unit price in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations.

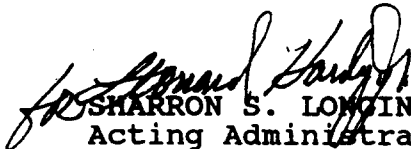
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If the State Director finds it necessary to change selected commodity projections in Exhibit A, a detailed justification will be sent to the National Office for approval.

The ORACLE Farm and Home Plan has been enhanced so that projected long range plans can be generated. The percent changes related to commodity income and expenses from a 1994 baseline will be provided on diskettes to State Offices. This information could be imported into the FHP system and updated to include other commodities grown in particular States. It will be the responsibility of the FHP Coordinator with the assistance of the Information Resources Managers to ensure these percent changes have been loaded on County Office systems. Only the FHP Coordinator will have access to the tables needed for commodity price and expense data entry. Instructions related to this data entry could be found in Job Aids 56A and 56B of the Farm and Home Plan Job Aids.

Any changes can be sent by FTSmail to a07nopds or by facsimile to 202-720-8474 addressed to Director, Farmer Programs, Program Development Staff.

ANY REVISIONS OR MODIFICATIONS TO THIS ADMINISTRATIVE NOTICE THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE APPROVED BY THE ASSISTANT ADMINISTRATOR FOR FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH THE STATE LAW.


SHARRON S. LONGINO
Acting Administrator

Attachments

Sent by telefax on 11/22 at 2:11 by GSS. The State Director should advise other personnel as appropriate.

CASH COMMODITY PRICES RECEIVED

-----< Projected % Change From 1994 >-----

COMMODITY	1995	1996	1997	1998	1999	2000
Wheat	0.00	1.05	2.81	3.51	4.56	6.32
Corn	-2.58	-4.72	-3.43	-3.43	-3.43	-2.58
Sorghum	-3.30	-2.36	-0.94	-0.94	-0.94	0.00
Barley	-1.40	-2.33	-3.72	-4.65	-4.65	-3.72
Oats	-2.88	-0.72	-1.44	-5.04	-6.67	-6.67
Soybeans	-8.44	-12.10	-13.22	-12.10	-9.55	-7.96
Cotton	5.10	7.37	9.66	9.64	11.53	13.42
Rice	2.89	7.22	11.37	14.80	16.79	18.41
SB Oil	0.00	-2.46	-5.33	-6.56	-5.74	-5.74
SB Meal	-11.92	-16.06	-16.58	-15.03	-11.40	-8.81
Peanuts	1.26	1.89	2.21	3.15	3.79	4.73
Dry Beans	1.27	2.95	4.64	5.91	7.59	9.28
Direct Govt. Paymts	-12.50	-23.33	-30.83	-34.17	-37.50	-41.67
Potatoes	0.00	3.77	5.66	7.55	11.32	13.21
Sweet Potatoes	0.74	2.21	3.68	5.15	5.88	7.35
Apples	0.63	1.25	2.50	4.37	6.88	10.00
Oranges	-3.07	-4.91	-6.13	-6.75	-6.75	-5.52
All Fruit	-0.62	-0.62	0.00	1.23	3.09	5.56
Vegetables	1.94	3.23	4.52	6.45	8.39	9.68
SUGAR:						
Sugarbeet	-1.84	-1.95	-1.84	-1.84	-1.84	-1.84
Sugarcane	-2.56	-2.56	-2.56	-2.56	-2.56	-2.56
TOBACCO:						
Flue-Cured	2.86	4.57	6.29	8.00	9.71	11.43
Burley	0.55	2.20	4.40	6.59	8.24	9.89
Cattle	-2.26	-3.14	-4.07	-3.90	-1.94	1.37
Calves	-7.28	-10.80	-10.87	-11.47	-8.75	-4.75
Hogs	4.93	19.28	24.19	23.67	25.26	28.58
Broilers	-1.85	-0.12	-0.19	0.37	2.44	4.91
Turkeys	1.16	1.85	2.20	3.04	4.50	6.08
Eggs	2.98	11.57	4.30	12.89	7.27	11.57
Milk	-6.26	1.44	4.82	7.35	8.20	9.47

PRODUCTION AND LIVING EXPENSES

Feed	-4.07	-6.67	-6.67	-5.79	-5.79	-4.07
Feeder Livestock	-6.77	-6.22	-5.67	-6.22	-4.06	-0.99
Seed	3.95	8.11	12.82	17.48	22.02	25.76
Fertilizer	4.38	9.03	14.38	20.12	25.14	29.95
Ag. Chemicals	2.84	5.00	7.57	9.52	11.86	14.07
Fuels	6.25	10.26	14.63	18.60	22.22	25.80
Farm & Motor Sup.	0.61	1.22	2.99	4.14	5.81	7.73
Auto & Truck	4.39	8.71	12.65	16.52	20.06	23.51
Tractors	3.69	7.11	10.65	13.28	15.77	17.54
Other Machinery	2.75	5.70	8.82	11.74	14.48	17.06
Bldg. & Fencing	4.07	8.33	11.76	14.51	17.50	19.90
Farm Serv. & Rent	2.76	6.38	10.20	14.15	17.76	21.08
Production Items	1.62	3.70	7.14	9.90	12.92	15.74
Interest	-0.62	-0.62	-1.24	-1.24	-0.62	-0.62
Taxes	2.66	4.69	7.11	9.85	12.02	14.49
Wages	2.64	5.96	9.05	11.95	15.33	18.45
Other Expenses	1.61	3.68	6.63	9.41	12.44	14.88
Family Living (CPI)	3.13	6.25	9.45	12.49	15.38	18.22

PROJECTED LONG RANGE FARM PRICES

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FmHA, FP, Program Development Staff
01-Nov-93FmHA AN 2917 (1924-B)
Exhibit B

-----< PROJECTED CASH COMMODITY PRICES RECEIVED >-----

COMMODITY	UNITS	1993	1994	1995	1996	1997	1998	1999	2000
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Wheat	\$/bu	3.08	2.85	2.85	2.88	2.93	2.95	2.98	3.03
Corn	\$/bu	2.17	2.33	2.27	2.22	2.25	2.25	2.25	2.27
Sorghum	\$/bu	2.00	2.12	2.05	2.07	2.10	2.10	2.10	2.12
Barley	\$/bu	2.00	2.15	2.12	2.10	2.07	2.05	2.05	2.07
Oats	\$/bu	1.44	1.39	1.35	1.38	1.37	1.32	1.30	1.30
Soybeans	\$/bu	6.10	6.28	5.75	5.52	5.45	5.52	5.68	5.78
Cotton	\$/lb	0.52	0.53	0.56	0.57	0.58	0.58	0.59	0.60
Rice	\$/cwt	5.40	5.54	5.70	5.94	6.17	6.36	6.47	6.56
SB Oil	\$/lb	0.22	0.24	0.24	0.24	0.23	0.23	0.23	0.23
SB Meal	\$/ton	200.00	193.00	170.00	162.00	161.00	164.00	171.00	176.00
Peanuts	\$/lb	0.30	0.32	0.32	0.32	0.32	0.33	0.33	0.33
Dry Beans	\$/cwt	22.10	23.70	24.00	24.40	24.80	25.10	25.50	25.90
Potatoes	\$/cwt	5.40	5.30	5.30	5.50	5.60	5.70	5.90	6.00
Sweet Potatoes	\$/cwt	13.40	13.60	13.70	13.90	14.10	14.30	14.40	14.60
Apples	cnt/lb	15.80	16.00	16.10	16.20	16.40	16.70	17.10	17.60
Oranges	\$/ton	153.00	163.00	158.00	155.00	153.00	152.00	152.00	154.00
All Fruit	1977=100	164.00	162.00	161.00	161.00	162.00	164.00	167.00	171.00
Vegetables	1977=100	160.00	155.00	158.00	160.00	162.00	165.00	168.00	170.00
SUGAR:									
Sugarbeet	\$/ton	41.50	43.50	42.70	42.65	42.70	42.70	42.70	42.70
Sugarcane	\$/ton	29.30	31.30	30.50	30.50	30.50	30.50	30.50	30.50
TOBACCO:									
Flue-Cured	\$/cwt	170.00	175.00	180.00	183.00	186.00	189.00	192.00	195.00
Burley	\$/cwt	181.00	182.00	183.00	186.00	190.00	194.00	197.00	200.00
Cattle	\$/cwt	73.71	72.00	70.37	69.74	69.07	69.19	70.60	72.99
Calves	\$/cwt	95.84	92.75	86.00	82.73	82.67	82.11	84.63	88.34
Hogs	\$/cwt	44.63	43.00	45.12	51.29	53.40	53.18	53.86	55.29
Broilers	\$/cwt	33.10	32.40	31.80	32.36	32.34	32.52	33.19	33.99
Turkeys	\$/cwt	38.10	37.80	38.24	38.49	38.63	38.95	39.50	40.10
Eggs	cnt/doz	63.90	60.50	62.30	67.50	63.10	68.30	64.90	67.50
Milk	\$/cwt	12.76	11.83	11.09	12.00	12.40	12.70	12.80	12.95